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ASSESSING THE MARKET

FOR A TRAVEL AGENCY

RESERVATION SYSTEM IN THE U.S.

INTERIM PRESENTATION

TO GSI

PARIS

FEBRUARY 26, 1985

INPUT

OUTLINE

I INTRODUCTION

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I INTRODUCTION

- PURPOSE/SCOPE.
- METHODOLOGY.
- RESPONDENTS.
  - COMPANIES.
  - TITLES.
- QUALITY OF INFORMATION.

PURPOSE/SCOPE

- ASSESS U.S. OPPORTUNITY FOR GSI EUROPEAN PRODUCT
  - OFFERED TO EUROPEAN AGENCIES
  - FOR AIRLINES NOT INCLUDED IN NATIONAL CARRIER'S NETWORK
  - USES INEXPENSIVE TERMINAL
- IDENTIFY POTENTIAL PARTNERS
- ISSUES
  - CURRENT U.S. RESERVATION SYSTEMS
  - GAPS IN CURRENT SERVICES THAT WOULD PROVIDE OPPORTUNITIES TO THE GSI PRODUCT
  - COMPETITIVE ENVIRONMENT
  - RECENT POLITICAL AND REGULATORY DEVELOPMENTS
  - REQUIREMENTS/ATTITUDES OF POTENTIAL CUSTOMERS
    - AIRLINES
    - TRAVEL AGENTS

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METHODOLOGY

- IN-DEPTH INTERVIEWS WITH KNOWLEDGEABLE INDUSTRY SOURCES.
  - LARGELY TELEPHONE.
  - OVER 60 RESPONDENTS IN 41 ORGANIZATIONS (LIST FOLLOWS).

- MULTIPLE PURPOSES.
  - ASSESS GENERAL INDUSTRY ENVIRONMENT.
  - ASSESS SPECIFIC ORGANIZATION'S ACTIVITIES AND PLANS.
  - IDENTIFY GENERAL OPPORTUNITIES IN RESERVATION SYSTEM AREA.
  - IDENTIFY GSI SERVICE OPPORTUNITY.
    - RECEPTIVITY BY POTENTIAL PROSPECTS.
    - REACTION BY POTENTIAL COMPETITION (INFERENCE).
    - POTENTIAL PARTNERS.

RESPONDENTS

- AIRLINES WITH MAJOR RESERVATION SYSTEMS.
  - UNITED.
  - AMERICAN.
  - TWA.
  - EASTERN.
  - DELTA.

- AIRLINES WITH SECONDARY RESERVATION SYSTEMS.
  - U.S. AIR.
  - REPUBLIC.
  - WESTERN.
  - CONTINENTAL.
  - OZARK.
  - AIR WISCONSIN.
  - PAN AMERICAN.

- AIRLINES WHO ARE A "TENANT" ON ANOTHER RESERVATION SYSTEM.
  - MUSE.
  - FRONTIER.

- UNIQUELY-POSITIONED AIRLINES.
  - SOUTHWEST.
  - PEOPLES.

- FOREIGN AIRLINES.
  - AIR FRANCE.
  - ALITALIA.
  - AIR AFRIGUE.
  - AEROMEXICO.
  - AIR KENYA.
  - LACSA.
  - TAN.
  - VIASA.

- TRAVEL AGENT GROUPS.
  - ASK MR. FOSTER.
  - LIBERTY.
  - EXPRESS.
  - RAYMOND AND WHITCOMB.
  - HICKORY (CONSORTIUM).

- OTHER TRAVEL AGENTS.
  - EXECUTIVE (LOCAL).
  - B&B (LOCAL).
  - BLANCHARD (LOCAL).

- CORPORATIONS WITH IN-HOUSE PROGRAMS.
  - SCHERING-PLOUGH (PHARMACEUTICALS).
  - IRVING BANK.

- GOVERNMENT/ASSOCIATIONS.
  - SENATOR KASSEBAUM'S STAFF.
  - IATA.
  - AMERICAN SOCIETY OF TRAVEL AGENTS (ASTA).

- INDEPENDENT VENDOR.
  - TYMSHARE (MC AUTO).

- OTHER PARTICIPANTS IN AIRLINE RESERVATION SYSTEMS.
  - HERTZ.
  - AVIS.

- OTHER (MAINLY AS POTENTIAL PARTNERS).
  - CITICORP.
  - ELECTRONIC MAIL CORPORATION OF AMERICA.
  - DECISION DATA (SELLS, MAINTAINS TERMINALS).

TYPICAL RESPONDENT TITLES

- DIRECTOR OF MARKETING.
- TRAVEL AGENT AND SENIOR TRAVEL AGENT.
- DIRECTOR OF RESERVATIONS.
- ASSISTANT DIRECTOR OF RESERVATIONS.
- SALES MANAGER.
- MARKETING REPRESENTATIVE.
- DIRECTOR OF AUTOMATION FOR MARKETING.
- TECHNICAL REPRESENTATIVE FOR AUTOMATION.

QUALITY OF INFORMATION

- FEW REJECTIONS.
- OPEN, FORTH-COMING.
- INTERPRETATION: VERY IMPORTANT.
  - TIME OF CHANGE.
  - COMPLEX ENVIRONMENT.
  - WIDE RANGE OF DATA.

II AIR TRANSPORTATION: ENVIRONMENTAL BACKGROUND

IMPORTANCE OF UNDERSTANDING THE ENVIRONMENTAL CONTEXT

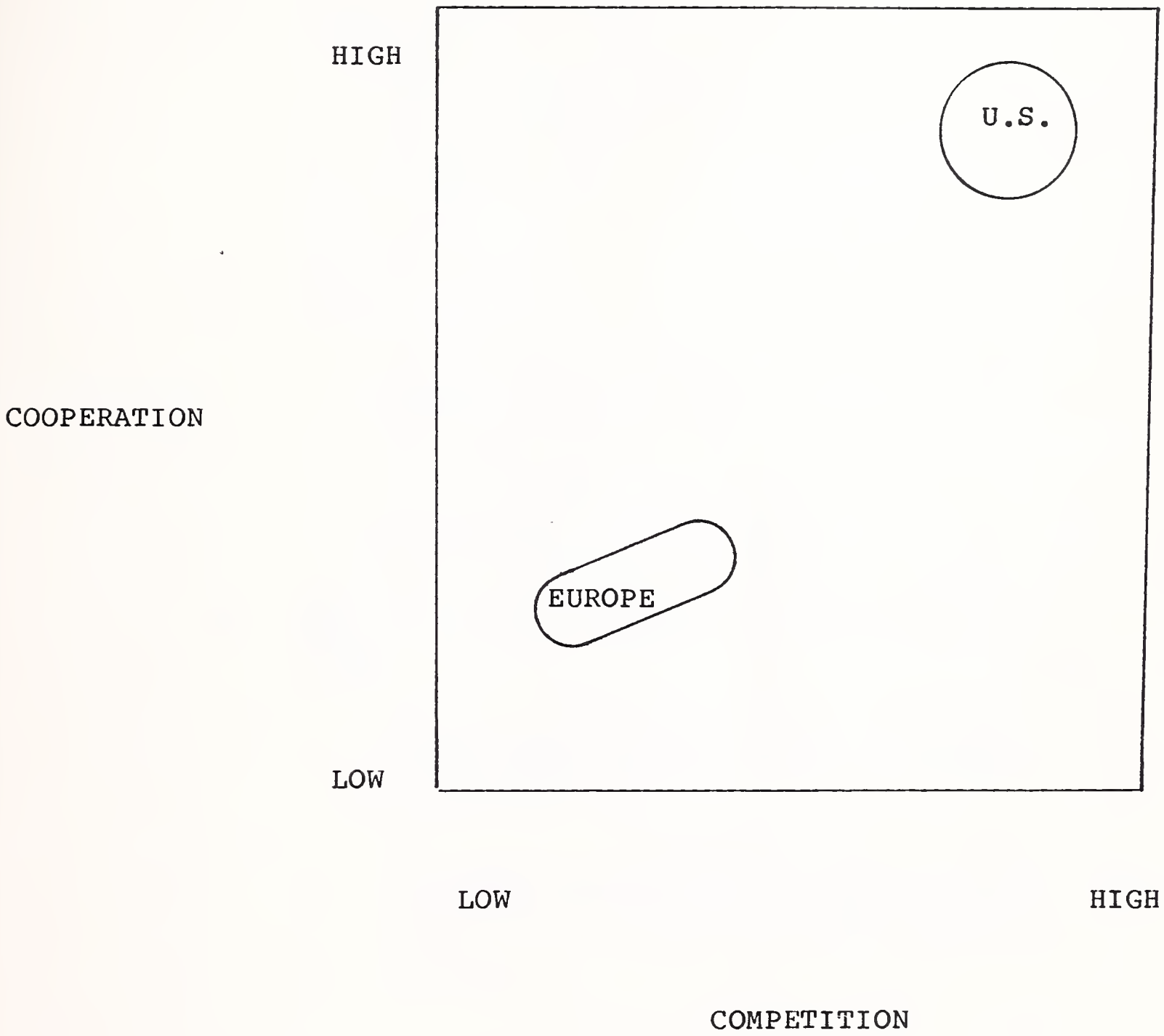
- DIFFERENCES/SIMILIARITIES TO EUROPE.
- REQUIREMENTS.
- UNFILLED NEEDS.
- GSI PRODUCT NICHE.
- OTHER OPPORTUNITIES.

CARRIERS

U.S. CARRIERS: HISTORIC OVERVIEW

- ALWAYS CONTROLLED COMPETITION.
  - HISTORIC DIFFICULTY, BUT NOT IMPOSSIBILITY, OF ADDING ROUTES.
  - LIMITED PRICING FLEXIBILITY.
- REJECTION OF AIRLINES AS "CHOSEN INSTRUMENTS" OF POLITICAL OR GOVERNMENT POLICY.
- OVERLAPPING ROUTE STRUCTURE CREATED.
  - "INTERLINING" REQUIREMENTS.
  - COMEPTITORS WHO WERE ALSO CONNECTIONS.
- THEREFORE: COOPERATION.
  - RESPONSE TO COMPETITION:
    - OFFER FULL SERVICE.
    - SELL SEATS.
  - LEGALLY PERMISSIBLE BECAUSE OF REGULATION.

U.S. & EUROPE: AIRLINE COMPETITION VS. COOPERATION



INPUT

GENERAL AIR TRANSPORT
LEGAL/REGULATORY ENVIRONMENT

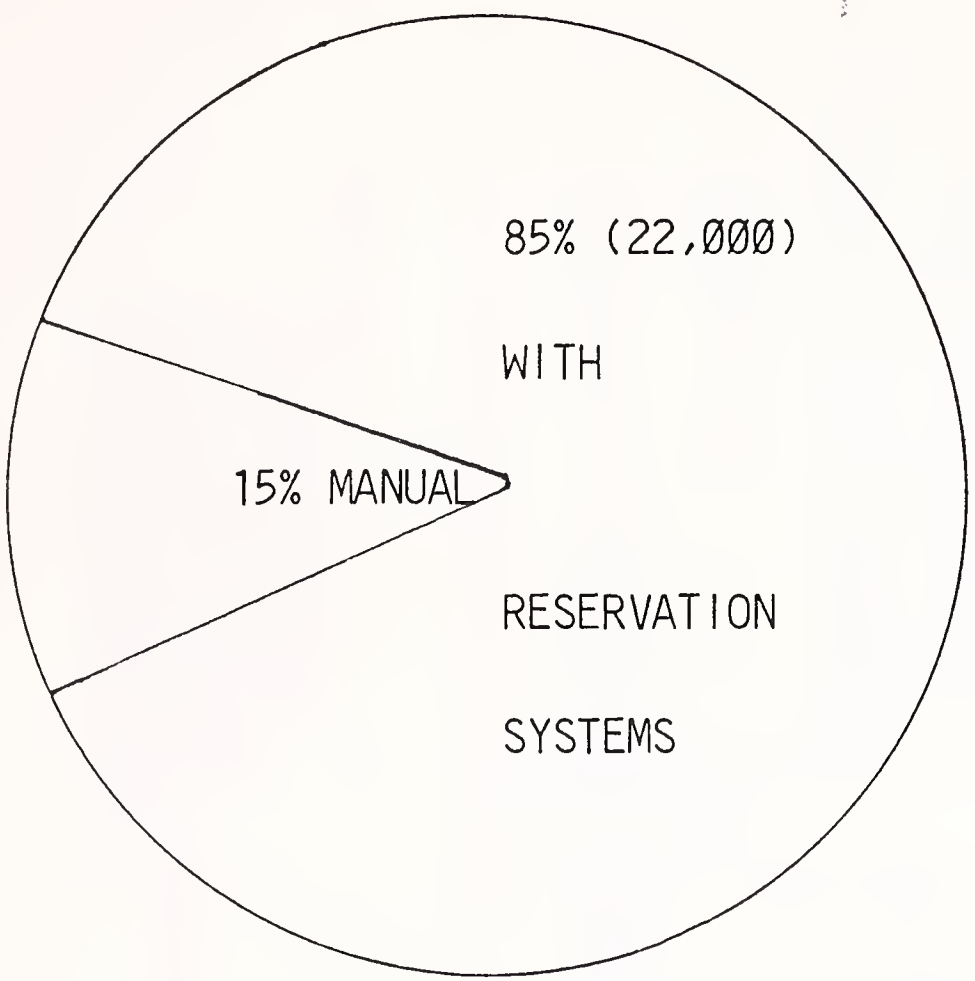
- DEREGULATION A FACT.
  - ENTRY/EXIT TO MARKETS.
  - FARES.
- NEGATIVE EFFECTS.
  - ON TRAVELLING PUBLIC: VERY FEW, LESS THAN EXPECTED.
  - FINANCIAL STRAIN ON AIRLINES.
- MAY ULTIMATELY LESSEN INDUSTRY COOPERATION.
  - EASY MARKET ENTRY MAKES INTERLINING LESS IMPORTANT.
  - STRONGER AND/OR MORE AGGRESSIVE AIRLINES MAY BE LESS COOPERATIVE (E.G. PEOPLES).
  - FEW EFFECTS YET.

MAJOR CHANGES EXPECTED IN AIR TRANSPORT ENVIRONMENT

- SHAKE-OUT OF WEAKER CARRIERS; FEWER NEW ENTRANTS
- INCREASED COMPETITION.
- INFORMATION: BECOMING MORE CRITICAL COMPETITIVE WEAPON.
  - SCHEDULING
  - FARES
  - MARKETING
  - COSTS
- AMBIVALENT ATTITUDE TOWARD COOPERATION.
  - LESS SHARING AMONG STRONG CARRIERS.
  - ALLIANCE-BUILDING WITH SMALLER AND/OR WEAKER CARRIERS.
    - ANTI-TRUST LAWS: TWO-EDGED SWORD.

TRAVEL AGENTS

26,000 U.S. TRAVEL AGENCY LOCATIONS



VENDOR	SYSTEM	AGENCY LOCATIONS	%
AMERICAN	SABRE	8,000	34%
UNITED	APOLLO	6,200	28
TWA	PARS	3,700	16
EASTERN	PLUS	2,500	11
DELTA	DELTAMATIC	1,000	4
TYMSHARE		1,000	4
OTHERS		800	3
		23,200*	100%

* APPROXIMATELY 1,000 SYSTEMS ARE IN AGENCIES THAT USE TWO OR MORE SYSEMS.

TRAVEL AGENTS: FUNCTIONS & AUTOMATION

- INFORMATION PROVIDER
  - SCHEDULES/FARES: HIGHLY AUTOMATED (MOST AGENTS)
  - HOTELS AND CAR RENTAL
    - BASIC INFORMATION: PARTIALLY AUTOMATED (MOST AGENTS)
    - ALL DETAILED INFORMATION: NOT AUTOMATED
  - TOURS, CRUISES, ETC.: PARTIALLY AUTOMATED
- BOOKING, TICKET ISSUANCE
  - AIRLINES: HIGHLY AUTOMATED (MOST AGENTS)
  - HOTELS, CAR RENTAL: PARTIALLY AUTOMATED (MOST AGENTS)
  - OTHER: NOT AUTOMATED
- CORPORATE TRAVEL MANAGEMENT
  - NEW FUNCTION
  - POTENTIALLY VERY IMPORTANT TO LARGER AGENTS
  - NOT POSSIBLE WITHOUT AUTOMATION
  - FUNCTIONS
    - LEAST COST ROUTING
    - TRAVEL COST ANALYSIS
    - FREQUENT FLYER AWARD TRACKING
    - FAVORED CARRIER ROUTING

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    - FREQUENT FLYER AWARD TRACKING
    - FAVORED CARRIER ROUTING

TRAVEL AGENTS: RELATIONSHIP TO CARRIERS

- BUSINESS
  - SYMBIOTIC
  - AGENTS FEARFUL OF CHANGE
  - MAY BE SQUEEZED BETWEEN GIANT CARRIERS AND CORPORATIONS
- LEGAL/REGULATORY
  - AGENCIES MOST COMFORTABLE BEFORE DEREGULATION
  - DEREGULATION HAS LED TO COMMISSION AND DISCOUNT COMPETITION
- DATA EXCHANGE
  - VIA RESERVATION SYSTEM
  - VIA OTHER MEANS

TRAVEL AGENTS: THREATS & CHANGES

- SURPRISINGLY FEW EFFECTS FROM DEREGULATION; LIKELY TO CHANGE.

- MAJOR THREATS:
  - SINGLE TRAVEL AGENCY FOR A CORPORATION
  - IN-HOUSE TRAVEL AGENTS
  - COMMISSION GIVE-BACKS (LEGAL)

- CHANGES
  - A FEW GIANTS (CORPORATE TRAVEL) AND MANY PYGMIES (INDIVIDUAL TRAVEL)
  - PYGMIES JOINING DEFENSIVE CONSORTIUMS
  - AGENCY CORPORATE TRAVEL MANAGEMENT SYSTEMS
    - STANDALONE OR FRONT END (ARMS)
    - TURNKEY OR SOFTWARE

III RESERVATION SYSTEMS: BACKGROUND

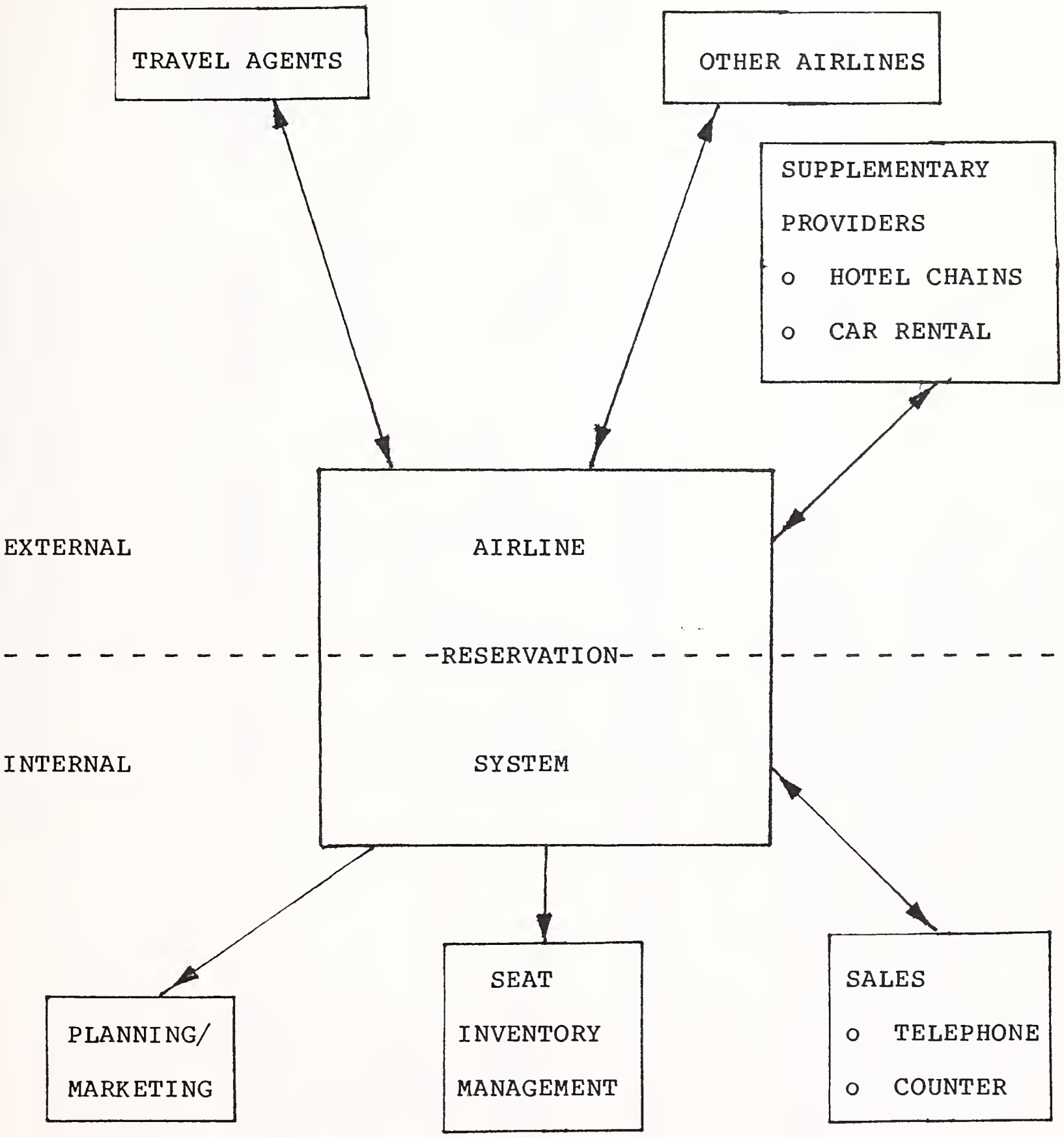
CLASSES OF U.S. RESERVATION SYSTEMS

- MAJOR (DOMESTIC) AIRLINE
  - EXTENSIVE SERVICES
  - GENERALLY TECHNICALLY ADVANCED
  - OFFER SERVICES TO AGENTS
  - INCLUDE:
    - UNITED
    - AMERICAN
    - TWA
    - DELTA
    - TYMSHARE (SPECIAL CASE)

- SECONDARY SYSTEMS
  - LESS EXTENSIVE SERVICES
  - LESS TECHNICALLY ADVANCED
  - GENERALLY, BUT NOT ALWAYS, HAVE THEIR OWN COMPUTER AND SOFTWARE
  - RARELY OFFER SERVICES TO AGENTS
  - INCLUDE ABOUT 20 DOMESTIC AIRLINES AND LARGER FOREIGN AIRLINES

- TERTIARY
  - SMALL, LOCAL DOMESTIC AIRLINES AND SMALLER FOREIGN AIRLINES
  - RUDIMENTARY, OFTEN MANUAL, SEAT INVENTORIES
  - STILL ABLE TO INTERACT WITH MAJOR RESERVATION SYSTEMS
  - OVER 100 CARRIERS

AIRLINE RESERVATION SYSTEM: OVERVIEW



SERVICES PROVIDED BY MAJOR RESERVATION SYSTEMS FOR OTHER AIRLINES & BUSINESSES

SERVICE	MAJOR	SECONDARY	TERTIARY	NON-SUBSCRIBER	HOTELS, CAR RENTAL
MAINTAINS SCHEDULES	X	X	X	A	X
BOOKS SEATS	X	X	X		X
ISSUES TICKETS	X	X	X		
ISSUES BOARDING PASS (B)	X	C			
DIRECT ("BYPASS") DATA CONNECTION	X				X

- MAJOR NON-SUBSCRIBERS: PEOPLES, SOUTHWEST

NOTES:

A. MAY NOT BE AS COMPLETE AS FOR SUBSCRIBER (E.G., MAY NOT SHOW FLIGHT SEGMENTS OR INCLUDE ON SECONDARY SCREENS; COMPETITION OFTEN FORCES INCLUSION, HOWEVER).

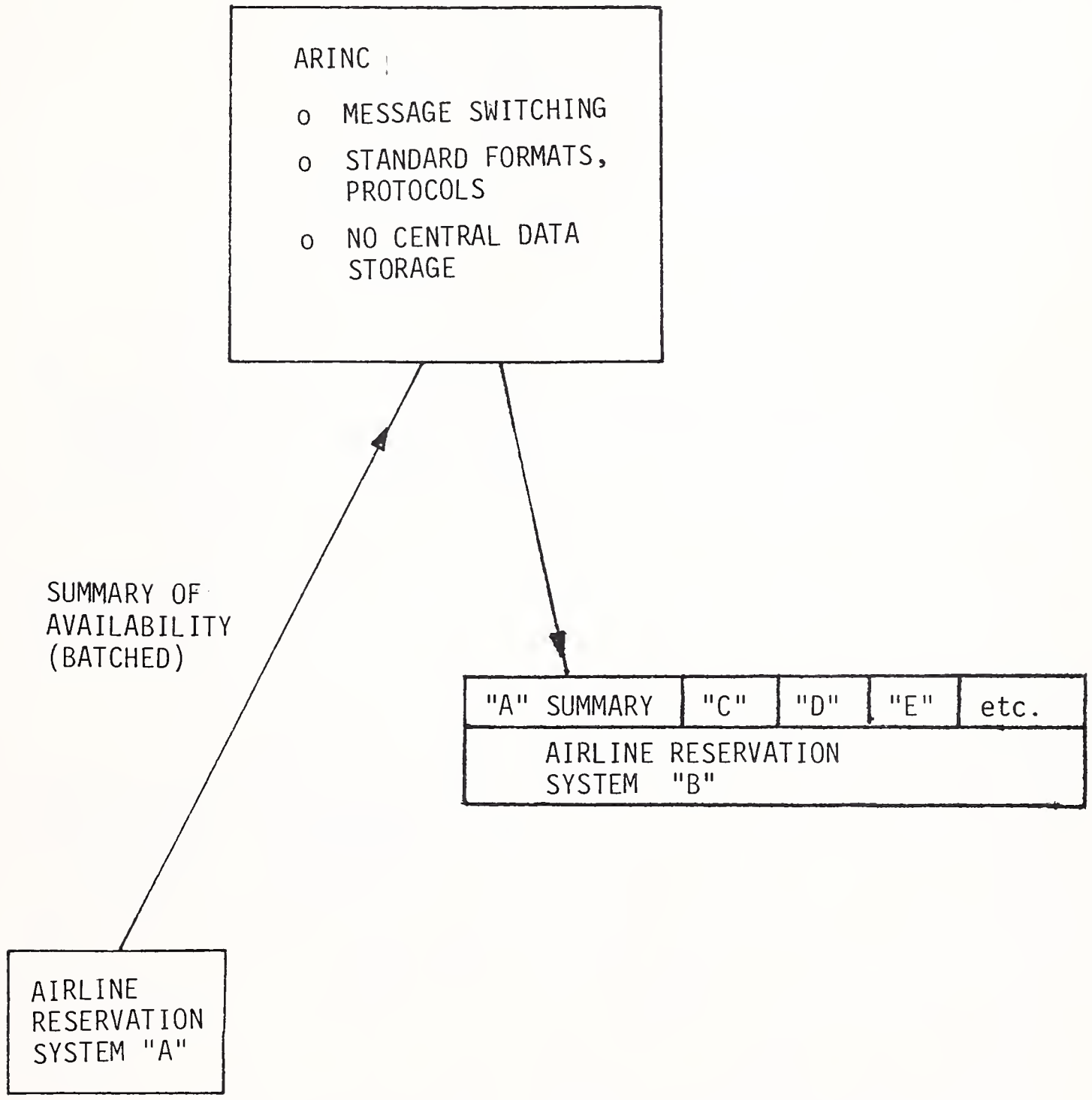
B. IN PROCESS OF IMPLEMENTATION.

C. IF OTHER AIRLINE HAS AUTOMATED SYSTEM.

SERVICES PROVIDED BY MAJOR RESERVATION SYSTEMS FOR TRAVEL AGENTS

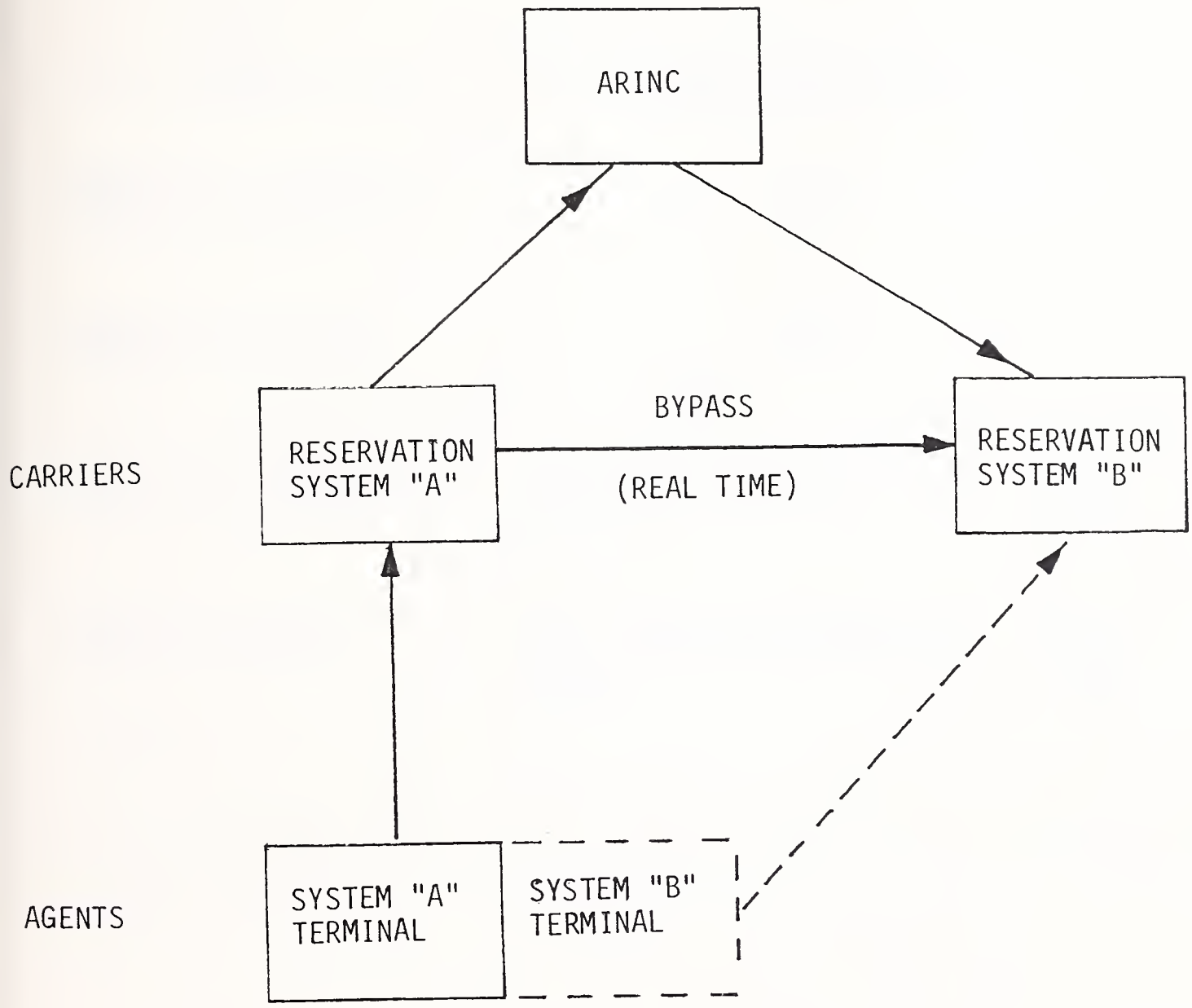
SERVICE	EXTENT	IMPORTANCE	COMMENTS
SUPPLY FARES/SCHEDULES			
DOMESTIC	100%	HIGH	
FOREIGN	90%+	HIGH	IF KNOWN, WILL ADD
SCHEDULE & FARE CHANGES	100%	HIGH	OFTEN FASTER THAN OAG, ABC
BOOKS SEATS	100%	HIGH	
ISSUES TICKETS	100%	HIGH	
ISSUES BOARDING PASSES	PARTIAL	MEDIUM	ALL MAJOR AND SOME SECONDARY SYSTEMS ARE PROVIDING
ISSUES BAGGAGE CHECKS	PARTIAL	MEDIUM	ALL MAJOR AND SOME SECONDARY SYSTEMS ARE PROVIDING
DIRECT ("BYPASS") ACCESS TO OTHER AIRLINES	80%	HIGH	DELTA IS UPGRADING
BOOK CAR & HOTEL RESERVATIONS	PARTIAL	HIGH	DEPENDS ON ARRANGEMENTS
STORAGE OF TRAVEL SEGMENTS BOOKED ELSEWHERE	PARTIAL	MEDIUM	
FREQUENT FLYER PROFILES	PARTIAL	HIGH	IMPORTANT DIFFERENTIATION

ARINC: INDUSTRY STANDARD FOR COOPERATION



- o LIMITATION
  - INFORMATION SEVERAL HOURS OLD
  - LITTLE DETAIL

ALTERNATIVES TO ARINC



PROBLEMS

- o BYPASS: COMPLEX, NOT USER-FRIENDLY
- o SECOND TERMINAL
  - COST
  - INTERFACE PROBLEMS (PERCEIVED)

PRICING & SCHEDULE DATA IN MAJOR RESERVATION SYSTEMS

DATA	DATA COMPLETENESS	MAJOR SYSTEMS INCLUDING
DOMESTIC SCHEDULES	100%	ALL
DOMESTIC PRICES	100%	ALL
FOREIGN SCHEDULES	U.S. ARRIVAL/DEPARTURE - 100% OTHER 98%	ALL ALL
FOREIGN PRICES	U.S. ARRIVAL/DEPARTURE - 100% OTHER 98%	ALL ALL

SOURCES:

- RESERVATION SYSTEM PERSONNEL (MAJOR AND SECONDARY SYSTEMS)
- MARKETING STAFF (DOMESTIC & FOREIGN AIRLINES)

DOMESTIC & FOREIGN AIRLINE NEEDS IN U.S. FROM A RESERVATION SYSTEM

NEED	DOMESTIC	FOREIGN	EXTENT MET
SCHEDULE AVAILABLE TO TRAVEL AGENTS	VERY HIGH	VERY HIGH	COMPLETE
BOOK RESERVATIONS	HIGH	HIGH	COMPLETE
SELL/ISSUE TICKETS	HIGH	HIGH	COMPLETE
ISSUE BOARDING PASSES	MEDIUM	MEDIUM	PARTIAL
ISSUE BAGGAGE CHECKS	MEDIUM/LOW	MEDIUM/LOW	PARTIAL
REPRESENT ANOTHER AIRLINE	LOW (MOST); HIGH (VERY SMALL)	LOW (MOST); HIGH (FEW)	COMPLETE

CONTRASTS IN U.S. & EUROPEAN AIRLINES MAJOR RESERVATION SYSTEMS

FACTOR	EUROPE	U.S.
SUPPLY COMPETITORS' SCHEDULES	NO	YES (FOR BOTH ANTI-TRUST & COMPETITIVE REASONS)
BOOK SEATS & SELL TICKETS FOR COMPETITOR	NO	YES - TO SUBSCRIBERS (WHO PAY A FEE)
FASTER SCHEDULE UPDATES THAN OAG & ABC	NOT IMPORTANT	YES - COMPETITIVE FACTOR
DIRECT ACCESS TO OTHER AIRLINE RESERVATION SYSTEMS	NOT IMPORTANT	YES - COMPETITIVE FACTOR
HOTEL & CAR RENTAL INFORMATION	NOT IMPORTANT	YES - COMPETITIVE FACTOR
PASSENGER PROFILE	NOT IMPORTANT	YES - COMPETITIVE FACTOR
USER-FRIENDLY SYSTEMS	BECOMING IMPORTANT	VERY IMPORTANT

IV RESERVATION SYSTEMS: COMPETITIVE ENVIRONMENT

RESERVATION SYSTEM VENDORS

- AMERICAN
  - FIRST IN NUMBER OF TRAVEL AGENTS
  - STRONGEST PASSENGER PROFILE FEATURE
  - MOST INTEGRATED FREQUENT FLYER PROGRAM
- UNITED
  - SECOND, BUT CLAIMS TO BE FIRST
  - VERY STRONG IN MIDWEST TRAVEL AGENTS
  - TECHNICALLY STRONG, FASTEST UPDATES
- TWA
  - A STRONG NUMBER THREE
  - PROBABLY STRONGEST IN INTERNATIONAL COVERAGE
- EASTERN
  - NOT AS AGGRESSIVE DUE TO FINANCIAL PROBLEMS
  - HISTORICALLY STRONG IN LATIN AMERICA COVERAGE
  - FOCUSES ON NORTHEAST & FLORIDA
  - SYSTEM LARGELY A DEFENSIVE TOOL
- DELTA
  - OBSOLETE TECHNICALLY, PLANNING TO IMPROVE
  - ESSENTIALLY A MARKETING TOOL IN SOUTHEAST
- TYMSHARE
  - AN ANOMALY
  - MAIN BENEFIT: 9 PRIMARY AIRLINES COVERED, RATHER THAN USUAL ONE
  - ANTI-BIAS RULES REMOVE AN IMPORTANT SELLING POINT
  - WILL DEMONSTRATE IF AN INDEPENDENT FIRM CAN MAKE A BUSINESS IN THIS AREA

CHANGES ANTICIPATED IN VENDORS RESERVATION SYSTEMS

	ANTICIPATED BY			REASON		
CHANGE	VENDORS	OTHER AIRLINES	AGENTS	COMPETITION	COST REDUCTION	COMMENT
FASTER UPDATES OF SCHEDULES AND FARES			X	X		
ISSUE BOARDING PASSES, BAGGAGE CHECKS			X	X		IN PROCESS
MORE USER-FRIENDLY SYSTEMS	X		X	X	X	IN PROCESS
REDUCE PAPER TICKETS	X				X	EXPERIMENT
MORE TICKET ISSUING MACHINES	X	X	X	X	X	EXPERIMENT

IMPROVEMENTS TO CURRENT VENDOR SERVICES

- AMERICAN
  - NEW TERMINAL FROM METAPHOR
  - LOCAL STORAGE AND PROCESSING
    - OAG: SAVE COMMUNICATIONS COSTS
    - CUSTOMER PROFILES: IMPROVE COMPETITIVENESS
    - AGENCY ADMINISTRATION
- UNITED
  - BAR CODE/MAGNETIC READER EXPERIMENTS
  - REDUCE PAPER/COSTS
- TWA
  - CHANGED USER COMMANDS
  - EASIER TO USE

FUTURE DEVELOPMENTS

- OAG/COMPUTER/TWA
- POTENTIAL VENDORS
- POSSIBLE VENDORS

OAG/COMPUSERV/TWA

- OFFICIAL AIRLINES GUIDE (OAG)
  - OFFERED "ELECTRONIC EDITION" ON COMPUSERVE FOR 3 YEARS
  - PROVIDES SCHEDULES AND FARES
  - MODERATE SUCCESS
  - NO RESERVATIONS
- COMPUSERV (HOME INFORMATION SERVICE) HAS RECENTLY SET UP SWITCH WITH TWA TO PROVIDE RESERVATIONS
  - TICKETS MUST STILL BE ISSUED AT AIRPORT
  - TOO EARLY TO EVALUATE SUCCESS
- COMPUSERV IS COORDINATING
  - NO OAG/TWA JOINT VENTURE

POTENTIAL VENDORS

- IATA
  - HAVE BEEN EXPLORING FOR OVER A YEAR OFFERING FULL RESERVATION SYSTEM FOR FOREIGN AIRLINES
  - GIVEN ADDITIONAL SUPPORT IN 1984 DURING ANTI-BIAS CONTROVERSY AND NEW FEES
  - BECOMING LESS LIKELY
- ABC ELECTRONIC WORLD AIRWAYS GUIDE
  - DISCUSSIONS WITH SEVERAL DOMESTIC CARRIERS

POSSIBLE VENDORS

- IBM
  - PARS
  - COMMUNICATIONS VENTURES
  - INFORMATION NETWORK
  - IVANS INSURANCE NETWORK
- CITICORP
  - FORMER TRAVEL AGENCY BUSINESS
  - NETWORK
  - NEW BUSINESSES
  - HAS CONSIDERED, REJECTED IN PAST
- HERTZ, AVIS
  - COULD HAVE OFFERED, CHOSE NOT TO
- AT&T

IMPACT OF ANTI-BIAS REGULATIONS

- ORIGINATED FROM COMPLAINTS FROM SUBSCRIBERS THAT VENDORS' SYSTEMS WERE UNFAIR.
  - COMPETING SCHEDULES WERE OFTEN PLACED IN LESS FAVORABLE POSITIONS IN THE TRAVEL AGENTS TERMINAL DISPLAY.
  - SUBSCRIBER INFORMATION WAS SOMETIMES PLACED ON SCREENS THAT TOOK MORE EFFORT TO ACCESS.
- CAB MANDATED EQUAL TREATMENT WITH UNEXPECTED RESULTS:
  - FOREIGN AIRLINES AND SMALL DOMESTIC AIRLINES PREVIOUSLY WERE NOT CHARGED BY AIRLINE VENDORS.
  - THE AIRLINE VENDORS DECIDED THAT EQUALITY WAS A TWO-WAY STREET:
    - ALL SUBSCRIBERS WOULD HAVE TO PAY A UNIFORM FEE PER SEGMENT BOOKED.
    - SEGMENT CHARGES VARY BY VENDOR, BUT AVERAGE $1.25-1.75.

IMPACT OF ANTI-BIAS REGULATIONS (continued)

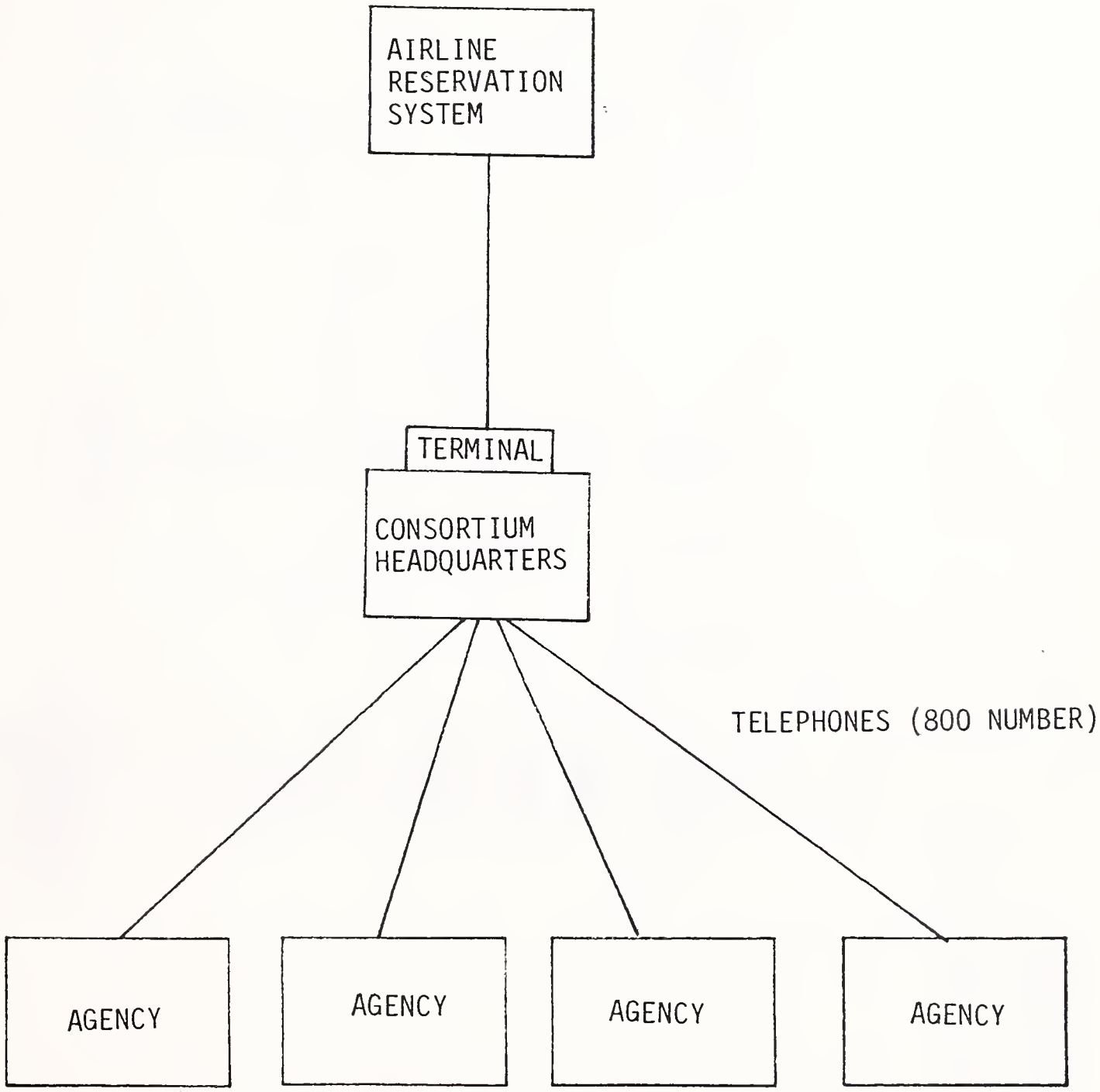
- FOREIGN AND SMALL AIRLINES PROTESTED
  - THREATENED TO FORM OWN SYSTEM
  - SUPPORTED IATA PLAN
- HOWEVER, REMOVAL OF BIAS HAS ELIMINATED MOST PRESSURE FOR NEW OR ALTERNATE AIRLINE RESERVATION SYSTEMS.

V RESERVATION SYSTEMS: OPPORTUNITIES FOR GSI PRODUCT

REMAINING UNMET AGENT NEEDS

- SMALL AGENTS WITHOUT TERMINALS (ABOUT 4,000)
  - INDEPENDENT
  - CONSORTIUM MEMBERS
- LARGE AGENTS

CONSORTIUM DATA LINKS



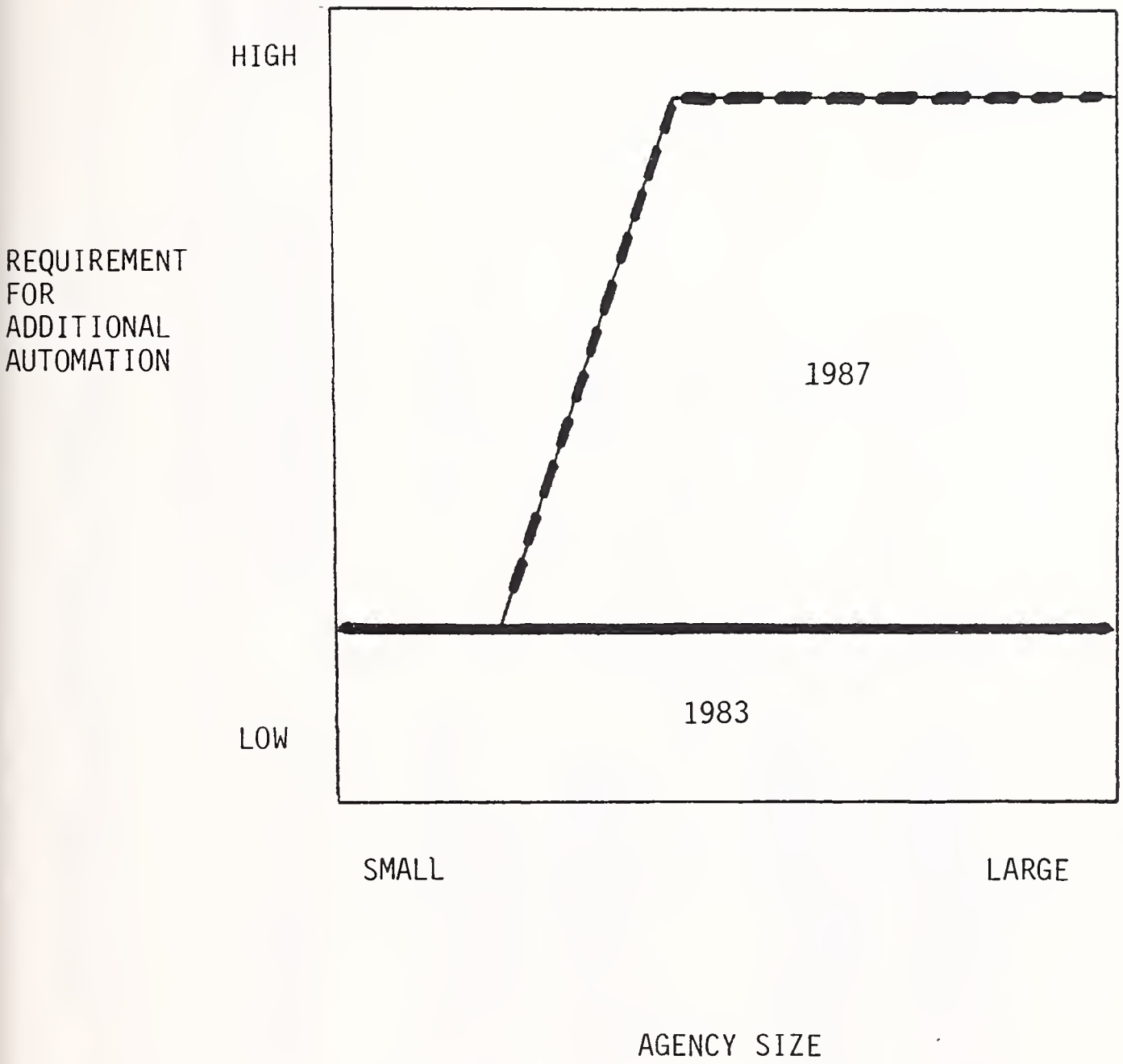
SERVICES AVAILABLE FROM DIFFERENT COMMUNICATION SOURCES

SERVICE	AIRLINE RESERVATION TERMINAL	SCANSET	PC*	PHONE
SCHEDULES	YES	YES	YES	YES
BOOKING	YES	YES	YES	YES
TICKET ISSUANCE	YES	NO	NO	NO
ACCESS TO MULTIPLE RESERVATION SYSTEMS	YES	NO	NO	YES**
HOTEL/CAR	YES	YES?	YES	YES
USER FRIENDLY	YES	?	YES?	YES
TRAVEL AGENT BUSINESS PROCESSING	NO?	NO	YES	NO
WORKSTATION COST (APPROX.)	$2,000	$500	$500-2,000	$50

* E.G., COMPUSERV (OAG & TWA)

** AGENCY TO CONSORTIUM

TRAVEL AGENCY REQUIREMENTS FOR ADDITIONAL AUTOMATION (SCHEMATIC)



ADDITIONAL AUTOMATION, BY AGENCY SIZE

AGENCY SIZE	PROBLEMS	ADDITIONAL AUTOMATION, BASED ON: RESERVATION SYSTEMS	ADDITIONAL AUTOMATION, BASED ON: OTHER SERVICES
SMALL (1-3)	FEW:		
	• LOCAL AGENT WILL ALWAYS BE WELL-PLACED FOR VACATION BUSINESS	NO	NO
	• INCREASED COMPETITION FROM LARGER AGENCIES	SMALL	NO
MEDIUM (4-10)	MANY:		
	• MOST AT RISK IN CORPORATIONS' CENTRALIZING AGENCY BUSINESS	NO	NO
	• DO NOT HAVE RESOURCES TO OFFER COMPREHENSIVE CORPORATE TRAVEL	NO	STANDALONE OR FRONT-END TO RESERVATION SYSTEM(S) (TURNKEY OR SOFTWARE)
LARGE (10+)	MANY:		
	• MOST THREATENED BY CORPORATIONS IN-HOUSE TRAVEL DEPARTMENTS	NO	AUTOMATED SUPPORT SYSTEMS: PART OF COMPREHENSIVE PACKAGE OF SERVICES
	• NEW RISK OF CARRIERS WORKING DIRECTLY WITH LARGE CORPORATIONS	NO	

GSI SERVICE VS. AIRLINE RESERVATION SYSTEM VENDORS

SERVICE	IMPORTANCE	AIRLINE RESERVATION VENDORS	GSI SERVICE
SUPPLY SCHEDULES			
DOMESTIC	HIGH	100%	100%
FOREIGN	HIGH	98%+	100%?
SCHEDULE CHANGES	HIGH	100%	100%
ADVANCE SCHEDULES CHANGES	HIGH	YES	NO?
BOOKS SEATS	HIGH	100%	100%
ISSUES TICKETS	HIGH	100%	0
ISSUES BOARDING PASSES	MEDIUM	PARTIAL	0
ISSUES BAGGAGE CHECKS	MEDIUM	PARTIAL	0
DIRECT ("BYPASS") ACCESS TO OTHER AIRLINES	HIGH	80%	0
BOOK CAR & HOTEL RESERVATIONS	HIGH	PARTIAL	PARTIAL
STORAGE OF TRAVEL SEGMENTS BOOKED ELSEWHERE	MEDIUM	PARTIAL	?
FREQUENT FLYER PROFILES	HIGH	PARTIAL	NO?

GSI PRODUCTS VS. UNMET NEEDS

- MAJOR UNMET NEED
  - CORPORATE TRAVEL MANAGEMENT SYSTEM
  - BEING DEVELOPED BY SEVERAL GROUPS IN U.S.
- STANDALONE OR FRONT END TO AIRLINE RESERVATION SYSTEM
- NOT PART OF GSI OFFERING

RESPONDENT'S DIRECT ASSESSMENT OF GSI PRODUCT

- AIRLINES.
  - MUST OFFER FULL RANGE OF CURRENT VENDOR SERVICES TO BE COMPETITIVE.
  - WOULD NOT SHARE DATA DIRECTLY WITH VENTURE UNLESS THE NEW SERVICE GAVE THEM EXPOSURE TO THOUSANDS OF AGENTS.
    - SUCH DATA SHARING IS CRITICAL TO THE OFFERING'S SUCCESS.
    - AIRLINES INCUR COSTS IN DATA SHARING AND MUST SEE BENEFITS.
- TRAVEL AGENTS AND CORPORATION.
  - SERVICE WAS NOT ATTRACTIVE. SEVERAL WOULD NOT BE INTERESTED, EVEN IF FREE.
    - LACK OF COMPETITIVE FEATURES.
    - REQUIREMENT TO LEARN A NEW SYSTEM.
  - FULL FEATURE, FULL-SIZED TERMINAL DESIRED.

RESPONDENT'S DIRECT ASSESSMENT OF GSI PRODUCT (continued)

- POTENTIAL PARTNERS (DISCUSSED IN DEPTH WITH FOUR RESPONDENTS).
  - NO INTEREST, DID NOT FEEL SERVICE WAS RIGHT FOR U.S. MARKET.
  - TYMSHARE'S EXPERIENCE WITH SCANSET A NEGATIVE INFLUENCES.
  - THE MORE KNOWLEDGEABLE THE RESPONDENT, THE LESS INTEREST.

RECOMMENDATION: DO NOT OFFER GSI PRODUCT IN US

- ENVIRONMENT DIFFERENT THAN EUROPE.
- TECHNICALLY ADVANCED US RESERVATION SYSTEMS DO NOT HAVE LIMITATIONS AND GAPS OF EUROPEAN SYSTEMS.
- U.S. SYSTEMS ARE IN CONTINUAL STATE OF CHANGE AND IMPROVEMENT: DIFFICULT AND EXPENSIVE TO KEEP UP
- AGENCIES.
  - FEW COMPLAINTS.
  - GSI WOULD NOT FILL UNMET NEEDS.
- AIRLINES.
  - INITIAL COMPLAINTS IN 1984 WERE BASED ON FOREIGN AND SMALL DOMESTIC AIRLINES BEING CHARGED FOR A SERVICE PREVIOUSLY RECEIVED FREE.

VI. OTHER TRAVEL AGENCY-RELATED OPPORTUNITIES

CORPORATE TRAVEL MANAGEMENT SYSTEM

- GOOD OPPORTUNITY.
  - PERCEIVED NEED.
  - LIMITED PRODUCTS NOW AVAILABLE.
  - POTENTIAL SALES TO BOTH TRAVEL AGENCIES AND CORPORATIONS.
- PRODUCTS BEING DEVELOPED.
- GSI WOULD NEED BOTH PRODUCT AND DISTRIBUTION.

RESERVATION SYSTEM DIVESTITURE:
ACQUISITION OF AN ESTABLISHED RESERVATION SYSTEM

- CONGRESS HAS BECOME INTERESTED IN RESTRAINT OF TRADE ASPECTS OF AIRLINE RESERVATION SYSTEMS.
  - 5 OUT OF 6 VENDORS ARE AIRLINES.
  - BIASED TERMINAL DISPLAYS.
- ANTI-BIAS REGULATIONS HAVE SOLVED IMMEDIATE PROBLEM.
- LEGISLATION MAY BE INTRODUCED TO REQUIRE AIRLINES TO DIVEST THEMSELVES OF THEIR RESERVATION SYSTEMS, I.E.,
  - THEY COULD NO LONGER BE VENDORS.
  - OBVIOUSLY, THEY WOULD RETAIN THEIR INTERNAL SYSTEMS.
- IT IS UNLIKELY THAT THIS WILL BECOME LAW.
  - ANTI-BIAS REGULATIONS ARE WORKING TO A GREAT EXTENT.
  - COMPLAINTS ARE OVER PRICING FOR PREVIOUSLY FREE SERVICES; DIVESTITURE WOULD NOT SOLVE THIS.

RESERVATION SYSTEM DIVESTITURE: ACQUISITION OF AN ESTABLISHED RESERVATION SYSTEM (continued)

- THE TECHNICAL ASPECTS OF SEPARATING THE INTERNAL AND EXTENAL ASPECTS OF A SYSTEM WOULD BE DIFFICULT.

- THE AT&T DIVESTITURE EXPERIENCE WILL MAKE POLITICIANS CAUTIOUS.

- ACTION MAY BE TAKEN TO LESSEN THE OPPORTUNITY FOR BIAS.

- IF DIVESTITURE OCCURRED, THIS WOULD BE AN OPPORTUNITY FOR SEVERAL NEW VENDORS TO QUICKLY ESTABLISH THEMSELVES.

  - SIGNIFICANT FINANCIAL AND MARKETING RESOURCES NEEDED.

  - CHANGING ENVIRONMENT.

  - CONCLUSION: ATTRACTIVE, BUT UNLIKELY OPPORTUNITY.

ACQUISITION OF AN ESTABLISHED RESERVATION SYSTEM - WITHOUT FORCED DIVESTITURE

- ANTI-BIAS REGULATIONS REDUCE THE COMPETITIVE NEED FOR MOST AIRLINES TO BE A RESERVATION SYSTEM VENDOR.
  - EQUAL PRESENTATION OF SCHEDULES.
  - BYPASS FOR ADVANCED SYSTEMS.
  - ISSUANCE OF BOARDING PASSES AND BAGGAGE CHECKS.
  - AVAILABILITY OF TRAFFIC DATA (FOR A FEE).
  - COST IS ALSO AN ISSUE
- AIRLINES ARE DROPPING OUT.
  - U.S. AIR (AND PAN AM, IN EFFECT) HAVE ALREADY WITHDRAWN.
  - EASTERN HAS PARTLY WITHDRAWN BY HAVING FORMED AN ALLIANCE WITH TYMSHARE.
- DELTA WOULD BE LOGICAL ACQUISITION CANDIDATE.
  - SMALL NUMBER OF CUSTOMERS.
  - TECHNICALLY WEAKEST.
  - PERCEIVED AS BEING FURTHEST BEHIND.

ACQUISITION OF AN ESTABLISHED RESERVATION SYSTEM - WITHOUT FORCED DIVESTITURE (continued)

- ENTRY WOULD REQUIRE SIGNIFICANT INVESTMENT AND RESOURCES.
  - UPGRADING.
  - SALES.
- PROBLEMS TO BE RESOLVED.
  - DOMINANT AIRLINE VENDORS STILL SEE PROPRIETARY SYSTEMS AS IMPORTANT (BUT, PERCEPTUAL LAG?).
  - AIRLINE VENDORS NOT ALWAYS MOTIVATED BY DIRECT PROFIT ON RESERVATION SYSTEM.
  - ANTI-BIAS REGULATIONS WEAKEN NEUTRAL VENDOR'S POSITION.

TRAVEL AGENCY SUPPORT SYSTEM

- SUPPLEMENT TO OR INDEPENDENT OF OTHER PRODUCTS AND SERVICES
- PRODUCT WOULD INCLUDE:
  - PRODUCT PROFILES (E.G., FLOPPY DISKS)
  - CUSTOMER PROFILES
  - CARRIER REPORTING
  - PAYROLL, COMMISSIONS
  - ACCOUNTING, WORD PROCESSING
  - MARKETING
- CURRENT COMPETITION
  - PC SOFTWARE
  - AMERICANS'S METAPHOR TERMINAL
  - TURNKEY SYSTEMS
  - IN-HOUSE SYSTEMS (LARGE AGENCIES)

HOME TRAVEL SYSTEMS

- COMPUSERV: PIONEER
- NO DRAMATIC TAKE-OFF YET
  - ADDING RESERVATION CAPABILITY A MINIMUM
  - TICKETING: CRITICAL GAP
- TICKETING PROBLEM COULD BE SOLVED BY AIRLINE EXPERIMENTS ON UNATTENDED TICKETING MACHINES
  - RESERVATIONS AND CREDIT CARD INFORMATION VIA TIMESHARING
  - TICKET MACHINE PROGRAMMED TO ISSUE
- ROADBLOCKS:
  - TECHNICAL
  - TRAVEL AGENT AND TELEPHONE REMAIN VIABLE ALTERNATIVES

VII REMAINING RESEARCH

- DIRECTION FROM GSI REQUIRED
- ISSUES
  - UPGRADE TO GSI EUROPEAN PRODUCT?
  - GSI ABILITY/DESIRE TO OFFER FULL RESERVATION SYSTEM
  - GSI PLANS TO OFFER OTHER TRAVEL-RELATED PRODUCTS
- RESEARCH OPTIONS
  - MORE INFORMATION ON CURRENT/POTENTIAL RESERVATION SYSTEM VENDORS AND PRODUCTS
  - ADDITIONAL DETAIL ON OTHER TRAVEL AGENCY-RELATED OPPORTUNITIES
  - OTHER U.S. PARTNERS
    - OPTIONS